04-13-09

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF HAWAII

- - - - In the Matter of - - - -	)	Docket No. 2008-0274
	)	
PUBLIC UTILITIES COMMISSION	)	
	)	
	)	
Instituting a Proceeding to Investigate Implementing a Decoupling Mechanism for Hawaiian Electric Company, Inc., Hawaii Electric Light Company, Inc. and Maui Electric Company, Limited.	)	

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PUBLIC UTILITIES COMMISSION

HAWAII RENEWABLE ENERGY ALLIANCE RESPONSE'S

TO

INFORMATION REQUESTS

FROM

THE CONSUMER ADVOCATE

AND

CERTIFICATE OF SERVICE

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I. INTRODUCTION

By its Order filed on October 24, 2008, the Hawaii Public Utility Commission ("Commission") opened the instant docket. The Commission, by its Order filed on December 3, 2008, granted the November 13, 2008 motion of Hawaii Renewable Energy Alliance ("HREA") to intervene in the instant docket.

Per the Commission's Order filed on December 28, 2008, included in Section II is HREA's Response to Information Requests ("IRs") from the Consumer Advocate (filed on April 6, 2009) to HREA on HREA's Initial Statement of Position ("ISOP") regarding the implementation a decoupling mechanism for the Hawaiian Electric Company Inc., Hawaii Electric Light Company, Ltd., and Maui Electric Company Ltd. ("HECO Companies").

II. HREA'S RESPONSE TO CA IRs on HREA's ISOP

CA/HREA-IR-1 In its March 30 Initial Statement of Position at page 4, item 6, HREA states, "Thus, we would favor some sort of a performance-based mechanism that would tie implementation to decoupling to the pace of renewable deployment ala Feed-In Tariffs, net metering and competitive bidding." Please describe with specificity how the individual performance targets should be established, for each of the relevant performance measures in each year, describing the process and calculations to be used to update or modify such target values and translate performance into rate adjustments.

HREA RESPONSE:

HREA supports a performance-based mechanism that is tied to achievement of the Hawaii Clean Energy Initiative ("HCEI") overall goal of 70% clean energy by 2030. The "Energy Agreement[1]" outlines the commitment of the Hawaii Electric Companies (herein referred to as the "HECO Companies") to attainment of the HCEI goal. The Energy Agreement provides a starting point for defining the "pace of renewable (or 'clean energy') deployment." However, there needs to be additional clarity and specification of the specific projects and activities of the Energy Agreement for which the HECO Companies will ultimately have responsibility and accountability.

On the one hand, HREA supports attainment of the Renewable Portfolio Standard ("RPS") as the responsibility of the HECO Companies, subject to pending legislative actions to amend our RPS law

[1] Energy Agreement is defined as the "Energy Agreement Among the State of Hawaii, Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs, and Hawaii Electric Companies. The Energy Agreement was signed by the Governor of the State of Hawaii, the State Department of Economic Development and Tourism, the Hawaii Electric Company, Hawaii Electric Light Company and Maui Electric Company Ltd (the "Hawaii Electric Companies") on October 20, 2008.

On the other hand, from HREA's perspective, there is uncertainty as to how an Energy Efficiency Portfolio Standard ("EEPS") is to be defined and implemented. As stated previously, HREA supports the Public Benefits Fund Administrator as the responsible entity subject to direction from the Commission.

Therefore, in order to provide a response to this IR, HREA makes the following simplifying assumptions. We assume that the HECO Companies have the responsibility for the existing RPS law, which is basically a Clean Energy Portfolio Standard ("CEPS") per our understanding of the HCEI. We assume further, for the purpose of this discussion, that RPS ("CEPS") is modified to be 70% by 2030, and there is no EEPS.

Given that, HREA believes there are at least two specific approaches to a "performance-based mechanism" for decoupling based on the "percentage of clean energy moving forward" as follows:

1. Straight-Line. Assuming further that decoupling is implemented at the start of the year 2010, there would then be 20 years for the utility to attain the 70% goal. If we assume further that HECO Companies' percentage of clean energy at the beginning of year 2010 is 15%, the difference would be 55% or a 2.75% increase per year. Given that, the performance mechanism would simply be the "percentage achievement" of the 2.75% goal moving forward. If the HECO Companies achieve 100% of the 2.75% goal increase, they would receive 100% of the annual rate adjustment mechanism ("RAM"). Note this assumes that a suitable RAM is approved in the Decoupling Docket, and the RAM would be used to adjust the annual revenues of the HECO Companies. HREA also notes:

(a) HREA believes this mechanism should work symmetrically, whether revenue requirements increase or decrease, and

(b) If the HECO Companies exceed the 2.75% in a given year, HREA suggests they be allowed to carry-forward the balance to the next year.

2. Specific Projects/Activities. As an alternative to the "straight-method," it may be more efficacious to set an annual clean energy achievement based on specific projects and activities. For example, the actual achievement of increased levels of clean energy may not be linear. Thus, a project/activity-based approach would not penalize the HECO Companies if there was a natural "plateau" or less than 2.75% level of activity in a given year. On the other hand, it may be difficult to predict exactly when specific projects and activities will come on-line.

HREA is open to other approaches to a performance-based mechanism, and is interested what other Parties think. However, as decoupling rolls out, customers will want to know "what is in it for them." We believe performance-based mechanism will provide an increased level of confidence that the "automatic" increases to their energy bills will result in increased levels of clean energy. Whether this will assuage customer concerns remains to be seen.

CA/HREA-IR-2 In its March 30 Initial Statement of Position at page 5, item 7, HREA states, "Therefore, we recommend that the ECAC be converted to a straight fuel-cost pass through." Please provide complete copies of all studies/analyses calculations, spreadsheet files, workpapers, surveys and other documents associated with work done by HREA that has been relied upon to evaluate

modifications to the ECAC, indicating the dates each study/analysis was undertaken and the persons who performed such work.

HREA RESPONSE:

HREA supports Haiku Design & Analysis's proposal in its "Opening Statement of Position (filed with the Commission on March 28, 2008) to convert the existing ECAC to a straight fuel-cost pass through. Thus, we defer to Haiku Design & Analysis on the details of their proposal, including any supportive analysis they may conduct.

Therefore, given that HREA has not conducted a detailed analysis or study on the efficacy of converting the existing ECAC to a straight fuel-cost pass-through, we also do not intend to do so in the future.

CA/HREA-IR-3 With respect to its recommendation to convert the ECAC to a straight fuel-cost pass through, please explain the extent to which the HREA believes that eliminating the "mechanism that provides an incentive to operate conventional generators as efficiently as possible" is justified in light of the size of perceived benefits to implementation of renewable deployment.

HREA RESPONSE:

HREA understands, under PURPA, renewables cannot be curtailed for reasons of "economic dispatch." HREA understands that the utility benefits by economically dispatching its fossil generators, as specific incentives, based on the utility system heat rate, are incorporated in the ECAC.

In general, this aspect of ECAC works against integration of renewables, such as wind and solar, as follows. HREA understands that HELCO does not have a "true" spinning reserve policy. By that, we mean that one or more generators are "continuously" running in an "idle" mode, in order to be dispatched instantaneously in the case that additional load-following capability

is needed beyond that currently available from operating units (referred to "operating" reserve). With "idling" or "standby" units operating as described above, the utility system "heat rate" would increase. We understand this increase in heat rate would adversely HELCO's compensation on the ECAC.

Thus, if that economic incentive were removed from the ECAC, as part of the implementation of decoupling, we believe a true spinning reserve capacity could help improve grid stability and facilitate more renewables. Finally, this new policy could be implemented without an economic disincentive to the utility.

Refer also to our response to CA/HREA-IR-3.

CA/HREA-IR-4 Please provide all available quantification of the tradeoffs between elimination of the ECAC "mechanism" in terms of potential HECO customer impacts, including complete copies of all studies, reports, analyses, projections and other information relied upon in support of your response to this information request.

HREA RESPONSE:

HREA cannot respond directly to this IR as this time, and defers to Haiku Design and Analysis has we have done above.

CA/HREA-IR-5 To the extent not provided in response to CA/HREA-IR-1 to CA/HREA-IR-4, above, please provide complete copies of all other calculations, spreadsheet files, workpapers, surveys, documentation and other analyses supporting the conclusions and recommendations stated in your Initial Statement of Position.

HREA RESPONSE:

See our response to CA/HREA-IR-4.

DATED: April 13, 2009, Honolulu, Hawaii

President, HREA

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing ISOP upon the following parties by hand-delivery and electronic service as follows:

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Date: April 13, 2009

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